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EC Butter Surplus Melts

Grains and Soybeans Lead U.S. Exports to Record

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This week's cover:

Dutch dairy cattle in Friesland, home Province of the famous Friesian breed. Butter stocks in the European Community are now down to normal levels, and world prices have strengthened accordingly; see story beginning this page. (Photo: Netherlands Information Bureau)

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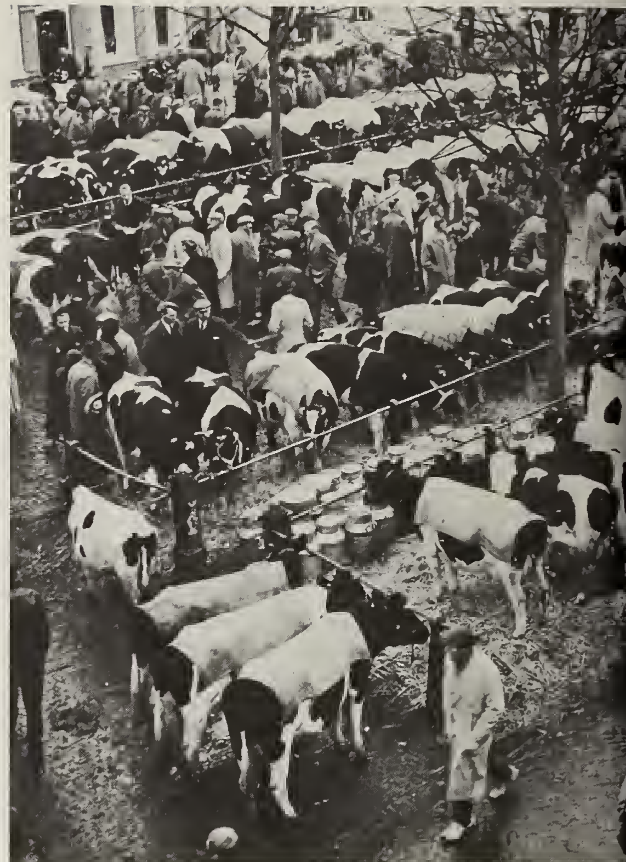

EC Butter Surplu

By SAMUEL L. CROCKETT
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At long last, the European Community countries have managed to rid their cupboards of surplus butter. Since 1966, with government-owned stocks ranging from around 500 million to almost 1 billion pounds, the Community's burgeoning butter supply had been pulling down world prices. Two years ago output was heavy in virtually all the leading producing countries, and the export market was stagnant. By this spring, however, stocks had shrunk to 90 million pounds—no more than a comfortable reserve.

This shifting butter situation properly starts in the European Community. The Community tried at first to export its surplus by paying out heavy export subsidies designed to move butter abroad. For a long period EC butter was offered for sale in many markets on terms that very nearly approached a "best offer" basis. Through payment of export subsidies ranging from 34 to 64 cents a pound, depending on the zone or market area to which destined, the Community made it possible for importers in many port cities of the world to buy good butter at 20 to 25 cents a pound.

But the market for butter, even at these lower prices, was limited. The world's only really large butter importer is the

A cattle market in the Netherlands. Programs to reduce the EC butter surplus have included the offering of premiums for shifting from dairy to beef cattle production.

rops, World Prices Up

United Kingdom; and that market was regulating butter imports through quotas that favored such traditional suppliers as New Zealand, Australia, and Denmark.

Thus, the EC concluded it must supplement its subsidy program with domestic measures to increase consumption and curtail production. Traditionally, butter is a staple item in most European households. For example, in Belgium, France, and West Germany, per capita consumption of butter averages 20 pounds annually—compared with about 5 pounds in the United States.

To supplement this normally high consumption, the Community authorized sales at reduced prices to institutions and food processors—candy makers, bakers, etc. Also, the Community donated some quantities to the World Food Program. In 1969, a program was initiated whereby small farmers were paid premiums for slaughtering dairy cattle. Large producers were offered inducements, through premiums for nondelivery of milk, to shift from dairying to beef production. Under the small herd slaughter premium payment plan, about 300 000 cows were slaughtered, three-fourths of which were in West Germany and France. Reportedly, some 40,000 West German farmers agreed to slaughter their entire herds.

The combined surplus adjustment measures had a cumulative effect, and by the end of 1970 butter stocks had been reduced substantially. European Community butter stocks as of April 1, 1970 and 1971, were tallied as follows:

	1970 Intervention agencies	1970 Total [1]	1971 Intervention agencies	1971 Total [1]
	Mil. lb.	*Mil. lb.*	*Mil. lb.*	*Mil. lb.*
Belgium	19.3	20.6	0.9	2.5
France	169.1	227.1	14.4	21.4
Germany	180.3	218.9	42.7	63.7
Netherlands	115.9	119.8	1.1	2.6
Total	484.6	586.4	59.1	90.2

[1] Includes private stocks.

While the EC was much preoccupied with its surplus problem, a dairy industry development in another part of the world early in 1970 appears to have gone almost unnoticed until well into 1971. A serious drought in New Zealand reduced that country's milk production in 1970 by almost 15 percent. Butter deliveries from New Zealand to the United Kingdom were off significantly in that year. Despite two special butter quota authorizations by the United Kingdom—the first in November of 1970—little note appears to have been taken elsewhere of the drought's impact.

At the end of the U.K. marketing or quota year, March 31, 1971, deliveries of butter to the United Kingdom by three principal suppliers—New Zealand, Denmark, and Australia—were still some 41,000 tons short of authorized quotas. Denmark's butter production was down in 1970, and Austraia's commitments to other markets prevented it from offsetting any of the New Zealand shortfall.

Butter prices, which by midyear 1970 had strengthened only slightly from the disastrously low levels prevailing since 1967, rose sharply on the London Provision Exchange. Holding steady at 32.1 cents per pound during 1968, 1969, and the first half of 1970, New Zealand butter prices on the London markets rose to 35.3 cents per pound by the end of 1970 and 49.2 cents by June 1971. The EC did not reduce the heavy export subsidy rates for butter until late March 1971.

The U.K. butter trade was understandably concerned about a prospective butter shortage and brought additional pressure on the Government to relax butter quotas. On April 29, 1971, the United Kingdom announced that butter import quotas were being relaxed, initially from that date to June 30, 1971. It has since been decided to extend the relaxation of quotas until the end of September. During this period, butter imports are permitted in unlimited quantities except from Rhodesia.

As was the case with the previous butter quota relaxation announcements, the action brought little additional butter into the United Kingdom. Importers discovered there was no sizable exportable supply of butter in traditional exporting countries. And by this time the EC also had none to export.

To alleviate this acute situation, U.K. importers turned to the United States and Canada as prospective sources. Canada's exportable supply was very small, but there was plenty of butter in the U.S. Commodity Credit Corporation (CCC) inventory. On May 12, 1971, the U.S. Department of Agriculture initiated a program to export CCC-owned butter. Ini-

tially, export sales under this program were authorized only to Great Britain. Subsequently, the program was expanded to make butter available to any market at a fixed price of 50 cents per pound.

Any appraisal of foreign supply and market conditions over the next 6 months must be based on certain assumptions, including: normal weather conditions in major producing areas; no further increase after midyear in butter prices in major markets (the United Kingdom in particular); and no significant change in supply availabilities in the USSR and Eastern Europe. On the basis of these assumptions, the outlook for butter for the next 6 months indicated a continued relatively tight, but not critical, supply situation.

Western Europe's milk production in 1971 is not expected to equal the 73 million tons produced in 1970, but it will likely be off no more than 1 percent. Feed costs are up, and preliminary data show cow numbers at the beginning of the year down in 10 out of 11 important dairying countries.

If there is no increase in total milk supply, higher butter prices will not necessarily mean that more milk will be used for butter and less for cheese and other products. This is largely because the bloom on the cheese market appears to be holding for a longer period than expected.

In the EC, the support price for both butter and nonfat dry milk for the 1971–72 marketing year was increased. For butter the price was set at 81 cents per pound, up about a cent over the previous year. For skim milk powder the price was raised from about 19 cents per pound to 21 cents per pound. There is no support price generally for cheese—only for specific specialty types. Nevertheless, the cheese market has been comparatively firm for a long time and prices have strengthened recently. Because of this continuing firm market for cheese it does not appear likely that any significantly larger portion of the total milk supply will shift from cheese to butter production in the last half of 1971.

Aggregate world trade in butter amounts to about 1.6 billion pounds annually. Distribution of this trade is definitely European-oriented—1 billion pounds to the United Kingdom and about 200 million pounds to other deficit European countries, principally Italy, Spain, Switzerland, and East Germany. Thus, Europe provides the market for three-fourths of the annual world butter exports.

Estimates of export market requirements over the next 6 months must be based on the assumption that the European supply and demand situation outside the United Kingdom will be in equilibrium. Most West European consumers, other than in the United Kingdom, have long been accustomed to paying a high price for butter. Average wholesale prices for butter in selected countries in recent years are as follows:

	1968 *Cents per lb.*	1969 *Cents per lb.*	1970 *Cents per lb.*
Belgium	85.23	80.58	80.63
France	88.00	85.28	82.56
Germany, West	75.30	76.66	78.47
Netherlands	76.66	78.92	78.21
United Kingdom [1]	32.10	32.10	33.20

[1] Wholesale price of New Zealand's finest butter.

Thus, a 10 to 15 percent price rise for butter in these countries will not have the impact on consumer demand that the recent 40 percent or more price increase in the United Kingdom will have on U.K. consumers. From 1968 to mid-1970, consumers in the United Kingdom were able to buy New Zealand butter at retail in the 35–40 cent per pound range, and Danish butter at 50–55 cents per pound. The wholesale prices of these butters (bulk form) are now quoted on the London Provision Exchange at 49 cents and 56 cents per pound, respectively. The current retail price is about 60 to 70 cents per pound—a very sharp price increase within the last 6 months.

What impact will such a price rise have in a 1-billion-pound butter market such as the United Kingdom? It is entirely possible that at current prices demand in the United Kingdom will be so sharply reduced that the recent imbalance may be quickly reversed and rationing via the price mechanism in that market can be moderated. However, it does not appear likely that consumers in the United Kingdom will again be privileged to buy top quality butter at retail for 35 cents per pound.

Shipments of butter to markets outside Europe, at prices of 60 to 90 cents per pound, will undoubtedly be lower than during the past 3 years when purchases could be made at 30 cents per pound or less. It now appears entirely possible that the 1968-70 average 400-million-pound market for butter exports outside Europe might well be cut to around 200–250 million pounds in 1971.

While the available supply of butter for the next 6 months will not be buttressed by huge EC stocks, sharply higher prices will curtail demand for butter. Also, a continuing relatively high level of production in the major dairying region indicates that there will be an adequate amount of butter available to supply total market demand for the balance of calendar 1971.

The milking room on a farm in Aisne Department, France. Annual per capita butter consumption in France, Belgium, and West Germany is about four times the United States'.

A complex of factors lies behind the new export high achieved by American farmers in the fiscal year just completed—prices, vigorous foreign demand, smaller competing supplies . . .

Grain, Soybean Products Lead 1971 Exports to Record

Wheat and Flour, Feedgrains

U.S. wheat and flour exports reached 738 million bushels in 1970–71, up 21 percent from the 606 million shipped in the previous years. Commercial exports are estimated at 495 million bushels, more than 50 million above the previous record in 1966–67. Flour exports declined to 52 million bushels (grain equivalent), down 10 million from a year earlier.

Buoyed by high corn prices and by fairly strong import demand in Europe, wheat prices tended to strengthen. In value terms, wheat exports rose 25 percent, to $1,225 million. Of the increase, however, only about $4 million was due to the higher prices; the rest resulted from the larger volume.

Total world wheat trade in 1970–71 was 2,030 million bushels, 160 million over last year and 76 million over the average for 1966–70. The U.S. share of the total expanded from 32 percent to 36 percent, chiefly owing to reduced availability of wheat from Argentina and feed wheat from the European Community.

In Western Europe, grain production dropped 4.3 million tons in 1970, wheat alone declining 1.6 million. This, combined with high world corn prices because of the corn blight, brought substantially increased total imports of wheat into Western Europe, including sizable quantities for feed.

In Eastern Europe, smaller wheat crops resulted in sharply expanded shipments from the United States. Exports to Yugoslavia were about 15 million bushels compared with none during the previous 2 years. In Japan, the No. 1 U.S. market, takings of U.S. wheat continued to grow, surpassing 100 million bushels and making that country the first ever to take so large a quantity of wheat in a single year.

In Korea and Taiwan, rising disposable income, continued population growth, and changes in dietary preferences led to sharp expansion of U.S. wheat shipments. Several other countries such as Turkey and Spain took sizable quantities as a result of reduced 1970 production.

Wheat exports under Public Law 480 declined, since several of the major recipient countries have made progress in expanding domestic production. Shipments to India, largest noncommercial market for U.S. wheat, were reduced as domestic production continued to rise and procurement reached record levels, filling storage facilities to capacity. With storage and transportation problems combined, some U.S. shipments to India were delayed past June 30. Chiefly because of shipping difficulties, exports to Pakistan also declined.

U.S. exports of Hard Red Winter wheat increased by more than 100 million bushels, and those of Hard Red Spring, by about 25 million. Exports of Soft Red Winter and White, of which supplies were limited, remained relatively unchanged. Durum shipments expanded by about 5 million bushels.

U.S. feedgrain exports (including products) were about equal in volume terms to the 19.6 million metric tons shipped a year earlier. In dollar terms, however, they rose by over $100 million from higher unit values.

The mix of feedgrains exported was also considerably different from that of last year. Owing mainly to decreased availability for export—result of Southern corn leaf blight and weather conditions—corn shipments dropped about 3 million tons, to 13.7 million. However, larger exports of sorghum (1.1 million tons), barley (1.5 million), and oats (200,000) offset the decline for corn.

Total world import demand for feedgrains increased by over 5 million tons during fiscal 1971, to a record level of

about 46 million. With U.S. volume unchanged from the year before, therefore, the result was a considerably reduced U.S. share of world feedgrain trade—43 percent, as compared with 48 percent the year before and a previous low of 44 percent in fiscal 1969.

Argentina and Brazil were substantially larger exporters of corn than in fiscal 1970, and Canada and Australia showed major gains in exports of barley and oats. Australia and Argentina also increased shipments of sorghum. The European Community's exports of feedgrains declined by more than 1 million tons, reflecting its reduced 1970 crops of small grains and the generally low level of stocks carried over from previous years. Within its reduced export total, however, corn exports rose to a new record level of 3 million tons.

A look at major U.S. feedgrain markets shows that an increase in exports to the EC and a decline in exports to Japan offset each other. The increase for the EC—from 5.5 million tons to 6 million—was mainly due to larger requirements, resulting from harvests reduced by dry weather. The decline for Japan—from 6.5 million tons to 6 million—was due to larger purchases from competitors, because of the higher level of U.S. corn prices and the increased availability of feedgrains from other supplying countries.

A major factor in both world trade and U.S. export volume for the past season has been an increased use of wheat and rice for feed in certain importing countries. High world feedgrain price levels caused heavy imports of wheat for feed in the United Kingdom and a number of smaller markets such as Taiwan. At the same time, heavy surpluses of domestic rice—notably in Japan and Venezuela—gave rise to new programs subsidizing the feed use of rice. It is also believed that much of the increase in the wheat imports of Eastern Europe this past year resulted from deficits in feedgrain supply, which might have been met with larger imports of feedgrains had it not been for the unusual world price situation.

Livestock And Meat Products

As a result of greater shipments of inedible tallow at higher per unit values, increased lard exports to the United Kingdom, and an abnormally high level of slaughter cattle exports to Canada, the value of U.S. livestock, meat, and meat product exports increased 20 percent in fiscal 1971, to $699 million.

Exports of inedible tallow, at 2.25 billion pounds, were up 21 percent in volume, and their per unit value was up from 8 cents per pound to 9 cents. Larger shipments to South America (especially Colombia, Brazil, and Argentina), the European Community, and Asia (especially India, Japan, and Pakistan) accounted for the increase. Most of this tallow is destined for use in soap manufacture, but increasing amounts are also being used in the production of feeds and of fatty acids.

Lard exports rose 28 percent to 387 million pounds—largely owing to the U.S. export payment for shipments to the United Kingdom, which helped raise exports to that country from 207 million pounds to 305 million, or 47 percent.

The export payment program was initiated by the United States in December 1968 in an effort to counterbalance EC subsidies and recapture a part of its fair share of the U.K. lard market.

The year's export totals for live animals and for beef and veal were boosted to $56 million and $30 million, respectively, by a substantial increase in slaughter cattle and beef shipments to Canada.

Canada is expanding its herds to meet increasing domestic demand for beef. Its reduced domestic slaughter and favorable prices spurred shipments of U.S. slaughter cattle to 104,000 head, compared with 5,000 in 1970. Most moved from November to January, when the price differential was greatest. U.S. beef and veal exports to Canada nearly doubled, totaling 19.5 million pounds.

Raw Cotton

U.S. cotton exports reached 3,713,000 bales in fiscal 1971, an increase of almost 1 million bales, or nearly 30 percent, over the 2,861,000 exported in fiscal 1970. In value, the increase was even larger—42 percent.

Exports to Europe were up by more than 35 percent, with shipments to Belgium, Luxembourg, West Germany, Switzerland, and the United Kingdom more than double the level of the previous year, and with somewhat smaller increases for France, the Netherlands, and Italy. These improvements in European markets are gratifying in view of the decline in U.S. exports to Europe during the past several years.

Outside of Europe, U.S. cotton registered substantial gains in shipments to Hong Kong, Thailand, the Republic of China (Taiwan), Canada, Japan, and Korea.

Before 1970–71, world cotton prices were relatively stable for 2 years at levels which slowed the loss of markets to manmade fibers and discouraged uneconomic cotton production. Prices strengthened somewhat during the early months of 1970–71. U.S. cotton was quoted through December 1970 at price levels fully competitive with those of other growths.

Beginning in January, world cotton prices moved upward. Prices for U.S. cotton advanced more than those for other growths, and as a result U.S. cotton was generally quoted at higher levels than similar qualities from other countries during the second half of the fiscal year. Nonetheless, world demand has continued strong, and U.S. exports could probably have risen still higher if supplies of U.S. cotton had permitted full use of the sales opportunities available.

Soybeans And Soybean Products

U.S. soybean exports reached a new high of 416 million bushels in fiscal 1971, exceeding by 12 million bushels the previous high achieved in fiscal 1970. This new record was attained despite a sharp decline that occurred in exports during the last third of the year compared with the last third of the previous year.

This decline can be largely attributed to advancing soybean prices. Early in the fiscal year, the prices of U.S. soybeans were only a few cents above those of a year earlier. However, they moved up as the season progressed, and since November 1970 the export price has averaged about 40 cents a bushel more than that of a year earlier.

The higher bean prices led to smaller processing margins in Europe. Prices of soybean products (soybean oil and, particularly, soybean meal) could not fully follow the upswing of bean prices because of sharpening competition from other oils such as fish, coconut, and palm and other meals such as fish, rapeseed, copra, and linseed. (In recent weeks, however, exports have been running ahead of a year ago—probably owing to mounting fears of the longshoremen's strike.)

Soybean meal exports from the United States have been sustained on a high level by the continuing strong demand from the European poultry and livestock sectors. When soybean exports were down, in the latter months of the fiscal year, monthly meal exports were generally surpassing year-earlier levels. For 1970-71 they totaled 4,294,000 short tons—over 500,000 tons or 14 percent above 1969-70. An increase of this magnitude, it should be noted, is equivalent to the meal content of 23 million bushels of beans.

Soybean oil exports have had a banner year. They totaled 1.77 billion pounds—the largest quantity ever moved abroad. This exceeded by over 600 million the export movement of 1.165 billion pounds in 1969–70, which had been an exceptionally good year in itself—the best since the previous record year of 1.40 billion pounds in 1964–65.

Even more remarkable, commercial sales of soybean oil comprised about half of the 1970–71 export volume, exceeding the record of 750 million pounds exported commercially in 1962–63. This high percentage for commercial sales surpasses all those attained in the past 5 years: 1965–66, 44 percent; 1966–67, 28 percent; 1967–68, 13 percent; 1968–69, 18 percent; and 1969–70, 40 percent. Commercial exports are here defined as all those other than under Title I and Title II of Public Law 480. Exports under the barter and CCC credit programs are thus included under commercial, as are the "usual marketing requirements" that are linked with P.L. 480 movement.

The sudden emergence of Yugoslavia as a major customer for U.S. soybean oil was probably the most striking development in 1970–71. Exports to Yugoslavia amounted to 259 million pounds (all commercial), as against 7 million pounds for 1969–70. Other major destinations were Pakistan, 250 million pounds (against 340 million in 1969-70), India, 250 million (against 235 million); Iran, 165 million (against 79 million); Morocco, 118 million (against 26 million); and Tunisia, 101 million (against 83 million).

For Yugoslavia, the cause of the increase in its U.S. soybean oil purchases was a decline in its 1970 sunflowerseed crop, coinciding with heavy export commitments of sunflowerseed and a resultant serious deficit in oil supplies for domestic consumption.

For some of the other importing countries, an important contributing factor was the extraordinarily high price level prevailing for sunflowerseed oil. This unusual price situation was traceable in part to the decline in Soviet export availabilities and in part to tight supplies of other edible oils.

Some slackening in foreign demand for U.S. soybean oil will take place during the coming year if major foreign oilseed producers increase their acreage in response to high world prices and if weather is not unfavorable to their crops.

Dairy Products And Poultry Products

U.S. exports of dairy products, valued at $131 million, rose in fiscal 1971 by 20 percent. Most of the gain was due to larger shipments of nonfat dry milk at higher prices, although exports in June were also aided by the initial shipment of butter to the United Kingdom under the butter export sales program announced in May.

Countries receiving large shipments of nonfat dry milk under U.S. Government programs were Colombia, Brazil, South Korea, Vietnam, Turkey, and Nigeria. Large shipments were made in Chile, Turkey, and Nigeria for emergency relief and welfare purposes, to aid in feeding homeless people displaced by earthquakes or internal strife. India, Pakistan, and Indonesia also received sizable quantities of nonfat dry milk; and sales were made to Mexico and Brazil at negotiated prices for school lunch programs and special welfare feeding programs.

Exports of poultry products, valued at $55 million, were unchanged. Gains achieved in sales to diverse markets around the world were more than sufficient to offset continuing losses in EC markets.

For example, significant gains occurred in Hong Kong, Japan, the Caribbean, and the United Kingdom. The product mix going to these markets varied, but in general there were increases in exports of poultry parts and of specialty items such as precooked turkey rolls. In the United Kingdom, the increase was mainly in turkeys and turkey parts.

U. S. Shipping Strike Could Affect Next Year'

By CLIFFORD G. PULVERMACHER
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The Department of Agriculture is much concerned by any impediment to the free flow of agricultural products into export markets. We are concerned because of the effect which such a situation has on the operation of the special Government export programs administered by the Department. More important, we are concerned by the impact of this upon our total agricultural exports, which are so important to our national balance of payments and to farm income.

Strike impedes farm sales

There is ample evidence that a shipping strike has a much more serious effect on agricultural exports than on shipments of finished goods. Agricultural products lack what might be called "market permanency." They are sold on a strictly competitive basis involving price and delivery schedules, since many importing nations lack facilities to store bulk agricultural commodities.

Producers and importers of finished goods can and do take significant advance action when a shipping strike appears likely. Some of this is donc in the case of agricultural commodities as well, but there are limits to the quantities that can be economically stored in importing countries. Also, foreign importers are usually able to meet their needs by purchasing commodities of similar quality from other exporting countries as they are needed.

To get an idea of the effects of such a stoppage of farm exports, let us take a look at what happened during the dock strike of over 2 years ago. It began on December 20, 1968, at east coast and gulf coast ports; and 115 days later—on April 13, 1969—the last three ports were reopened.

When the strike began, agricultural exports for the 1969 fiscal year were running at just about the same pace as a year earlier. At the end of the fiscal year on June 30, 1969, however, agricultural exports were $570 million less than for the 1968 fiscal year. No one can say exactly how much of this drop resulted from the strike.

Particularly hard hit were cotton, rice, soybean oil, feedgrains, and wheat—although the decline in wheat exports was in part due to a large world wheat crop.

A Labor Department study also cites the net loss in the U.S. trade balance, which amounted to roughly $3 million to $5 million per day in the 1968-69 strike. Since not all ports were shut down for the full 115 days, the total net loss in the trade balance is estimated at $250 million to $300 million.

This loss assumes greater importance today. Data released recently indicate that imports exceeded exports in June, the third consecutive month in which the Nation's trade balance showed a deficit. This was the first 3-month trade deficit in 21 years. The April-June deficit of $803 million produced a net deficit in excess of $300 million for the calendar year to date. Some economists believe that this year the United States may suffer its first trade deficit in 75 years. A prolonged shipping strike would be likely to increase this possibility, since it tends to reduce exports more than it does imports.

West coast strike effects

The problem is further amplified this year by the fact that west coast longshoremen are on a general strike for the first time in 23 years. Approximately $5 million in agricultural exports move through west coast ports every business day of the year. This means that the 30-day strike has already prevented shipments totaling $150 million, much of it business that is unlikely to be made up later in the year.

The west coast is of significant importance to agriculture because of the substantial farm exports it transmits to the markets of the Far East. Japan, our leading agricultural customer, has taken more than $1 billion worth of farm products from us in each of the last 2 years. Some Japanese business can, of course, move through gulf ports, but in general the Japanese prefer the west coast.

A message received in the Department late in July from the Agricultural Attaché in Tokyo reports that the known loss of U.S. agricultural export business with Japan for the first 2 weeks of July totaled an estimated $7.7 million. Wheat losses were estimated at nearly $3 million, with purchases shifted to Canada and Australia. Other major losses were reported in tallow, citrus fruits, nuts, and raisins.

The Far East demand for U.S. white wheat is strong, and if we cannot meet commitments, buyers will turn to Australia. We already have reports of one such sale to Korea and of an inquiry by the Philippines to Australia. Moreover, lack of availability of U.S. white wheat this year would probably stimulate an increase in Australia's wheat acreage next year, resulting in intensified competition.

Public Law 480 activities have also been materially affected by the west coast strike. One major shipment that was held up consisted of approximately $12 million worth of cotton purchased by India under the Title I sales program. In view of the work stoppage that preceded the strike, there may have been other delayed shipments as well of which we have no knowledge at this time.

The strike has also delayed shipment of substantial quantities of commodities already on the docks or purchased prior to the strike for shipment under the P.L. 480 Title II foreign donations program. We have cooperated with the Federal Maritime Commission to work out an arrangement for west coast union members to load commodities intended for the feeding of the Pakistani refugees. This will meet the most urgent needs, although many commodities needed by other developing nations will presumably be delayed until the strike ends.

Gulf and east coast outlook

If strikes do occur at the east and gulf coast ports after expiration of the current labor contracts on September 30 the impact on farm producers would be serious. Daily, $18 million worth of agricultural products move into the ex

Export Total

port markets from these ports—$13 million from the gulf and $5 million from the east coast. Not only would farm producers suffer the loss of these markets, but the throttling of export demand would tend to depress prices received by them in the domestic markets. This would be particularly true for spring wheats, feedgrains, soybeans, and cotton, which would be in the harvest period.

Through the united effort of U.S. farm producers, exporters, and government we have been successful in increasing our agricultural exports from $5.7 billion in fiscal 1969 to $6.7 billion in fiscal 1970, and an alltime record of $7.8 billion in fiscal 1971.

If we hope to keep exports at or near this level, it is essential that shipments be maintained without disruption.

British Farmers Look for Change Whether In or Out of Common Market

British farmers are currently gearing up for the period of change into which they will plunge with U.K. entry into the EC, according to a report from the office of the U.S. Agricultural Attaché, London.

In a statement delivered after a meeting of the British National Farmers Union, at which British entry into the EC was discussed, Union President Henry Plumb stated that the Union realized the risks for British agriculture if the United Kingdom stays out of the Community would be as great as, if not greater than, if it entered. "The comparison is not between a future inside the Community and the status quo; it is between one form of change and another."

In the Union's view, the Government measures needed to prepare British agriculture effectively for membership cover three major areas. First, the income and liquidity position of producers "must be established without delay at a level which will allow additional investment to be undertaken." Secondly, "plans must be made forthwith to ensure the necessary additional processing is available." Lastly, "the Government by its policies, can help producers in the sphere of marketing organization."

The Union noted that in his broadcast on July 8, in connection with the recently issued White Paper on U.K. entry, Minister of Agriculture James Prior said the agreement with the EC "will give our farmers opportunities of expansion they have never had before."

Mr. Prior said he expects that the average annual rate of two percent at which U.K. agricultural production has been increasing in recent years will double if Britain enters the Community. Cereals, beef, cheese, lamb, and sugar beets will be the sectors where expansion will be the greatest, he said.

The Union is, however, principally worried about the effect EC entry will have on domestic production—of horticultural products and poultry meat and eggs—items in which the Community is already self-sufficient. The Union is also concerned that the principle of Community preference could seriously disrupt markets at the outset of entry, and is anxious about animal health matters and other regulations governing trade in agricultural products.

In earlier exchanges between the Union President and Minister of Agriculture, the Union had raised its longstanding claim that some mechanism comparable to the U.K.'s Annual Review and Determination of Guarantees should be introduced at Community level and should provide for the right of farmers to make their views known directly to the Council of Ministers.

Other matters which Mr. Plumb raised with Mr. Prior in June, included a request for assurance that the statutory marketing boards should be able to continue with disciplinary powers; that the wool guarantee would be safeguarded during the transition period; and that the production grants would also continue as they are, or in some other form of direct income support.

Sabah Purchases U.S. Cattle To Aid Livestock Program

The Government of Sabah, a State of East Malaysia on the island of Borneo, has just purchased 110 U.S. Brahman and Santa Gertrudis breeding cattle as a first step in its effort to build up a strong livestock industry. A week-long trip to the United States in late May by two Sabah officials resulted in the purchase.

The livestock program is designed to diversify agricultural production and to produce more protein-rich foods for Malaysian diets. The Government believes cattle can be produced cheaply on large areas of undeveloped cutover land that can be converted to improved pasture.

The Sabah Government now plans to open 1,000 acres a year for the next 10 years and to buy 1,000 breeding cattle each year.

The major native cattle breed is the Zebu. Crossbreeding the Zebu with Australian Angus and Australian Shorthorn has not been very successful because of the low productivity of the native cattle and the inability of the Angus and Shorthorn to adapt to Sabah's tropical conditions.

U.S. cattle offer advantages that appeal to the Government of Sabah. U.S. Brahman stock is the highest quality tropical cattle in the world, and, since the coastal plains of the southern United States approximate the climatic conditions of Sabah, it is possible to judge how well U.S. breeds will do in Sabah.

With these advantages in mind, Dr. Yen Tze Shao, Sabah's director of agriculture, and Dr. Vincent Lee, assistant director for livestock, recently visited ranches in Texas, Louisiana, Florida, and Georgia under the auspices of the U.S. Department of Agriculture to assess the possibility of buying U.S. breeding cattle. During the trip the Malaysians were able to study different commercial breeding operations as well as the Coast Plains Experiment Station in Georgia.

Sabah officials are considering additional purchases. The private sector may follow the Government's lead in opening land for livestock raising with U.S. breeding stock.

CROPS AND MARKETS

Grains, Feeds, Pulses, and Seeds

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Aug. 4	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	1.95	+2	1.96
USSR SKS-14	1.85	+3	(1)
Australian FAQ	1.77	0	(1)
U.S. No. 2 Dark Northern Spring:			
14 percent	1.88	0	1.91
15 percent	1.93	0	1.96
U.S. No. 2 Hard Winter:			
13.5 percent	1.83	0	1.83
No. 3 Hard Amber Durum	1.80	+1	1.79
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	1.65	+4	1.71
Feedgrains:			
U.S. No. 3 Yellow corn	1.58	−7	1.67
Argentine Plate corn	1.71	−6	1.76
U.S. No. 2 sorghum	1.59	0	1.62
Argentine-Granifero sorghum	1.62	−1	1.42
U.S. No. 3 Feed barley	1.17	−3	1.12
Soybeans:			
U.S. No. 2 Yellow	3.62	−4	3.23
EC import levies:			
Wheat	1.43	−1	1.43
Corn [2]	.83	+7	.73
Sorghum [2]	.84	−4	.85

[1] Not quoted. [2] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

Cotton

U.S. Cotton Exports to Europe Up Sharply

U.S. raw cotton exports in June 1971 totaled 307,000 running bales, compared with 327,000 bales last month and 269,000 bales a year earlier. Shipments in the first 11 months (August-June) of the current season reached a level of 3,527,000 bales, approximately 37 percent higher than exports for the same 11-month period a year ago.

While Far Eastern countries continue to account for the bulk of U.S. cotton exports, shipments to Europe increased dramatically during 1970-71. Shipments to Belgium, Luxembourg, West Germany, Switzerland, and the United Kingdom more than doubled; France, the Netherlands, and Italy also substantially increased their imports of U.S. cotton. The gain in exports to Europe represents a sharp reversal of the trend during the past several years.

Substantial gains were also registered in exports to Hong

U.S. COTTON EXPORTS BY DESTINATION
[Running bales]

Destination	Year beginning August 1: Average 1960-64	1968	1969	Aug-June 1969	Aug-June 1970
	1,000 bales	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*
Austria	23	0	0	0	0
Belgium & Luxembourg	121	30	19	18	43
Denmark	14	1	(1)	(1)	(1)
Finland	17	3	6	6	2
France	319	88	30	30	58
Germany, West	269	31	26	24	63
Italy	345	62	46	45	53
Netherlands	110	19	19	17	34
Norway	13	5	1	1	3
Poland	125	106	51	51	0
Portugal	21	8	2	2	5
Romania	2	0	46	46	33
Spain	74	5	4	4	19
Sweden	81	51	37	36	29
Switzerland	74	32	15	14	33
United Kingdom	244	48	38	37	88
Yugoslavia	112	54	0	0	2
Other Europe	15	7	4	4	18
Total Europe	1,979	550	344	335	483
Algeria	9	27	11	11	32
Australia	61	0	(1)	(1)	7
Bolivia	7	0	0	0	0
Canada	353	108	181	173	279
Chile	18	(1)	1	1	2
Congo (Kinshasa)	6	0	0	0	5
Ethiopia	9	9	1	1	3
Ghana	1	17	27	27	41
Hong Kong	148	194	61	58	192
India	314	174	261	207	198
Indonesia	40	105	242	216	154
Israel	15	1	(1)	(1)	2
Jamaica	4	2	2	2	3
Japan	1,192	536	623	606	827
Korea, Republic of	261	447	455	422	464
Malaysia	1	6	6	5	11
Morocco	12	19	28	25	21
Pakistan	14	1	16	11	5
Philippines	123	119	146	141	111
Singapore	1	3	2	2	11
South Africa	41	9	4	3	19
Taiwan	209	259	193	178	387
Thailand	34	66	54	46	132
Tunisia	2	0	5	5	0
Venezuela	8	(1)	(1)	(1)	9
Vietnam, South	46	62	99	99	114
Other countries	16	17	6	8	15
Total	4,924	2,731	2,768	2,582	3,527

[1] Less than 500 bales.

Kong, Thailand, the Republic of China (Taiwan), Canada, Japan, and Korea. Shipments to India, Indonesia, and the Philippines were down slightly from last year's level.

Livestock and Meat Products

Canadian Cattle Import Permits Issued

Canada's Agriculture Minister H. A. Olson announced recently that import permits have been issued to 569 applicants to import 896 cattle from Europe this year. There were about 1,400 applications to import about 6,000 head of cattle.

For the first time, cattle from Germany and Austria are eligible under the program. As in other years, cattle importations will be permitted from France, Switzerland, and Italy. All European cattle will be imported through the maximum security quarantine stations on Grosse Ile, Quebec, and the French island of St. Pierre. This year 240 more head of cattle than last year will be imported because of the increased capacity of the St. Pierre station.

The cattle will undergo preliminary quarantine in Europe and arrive at the maximum security quarantine stations in three shipments, one to Grosse Ile in October, one to St. Pierre in November, and a third to St. Pierre in May 1972. The cattle will be released from quarantine after 4-6 months providing they meet health requirements.

Since 1966 when the program started, some 2,072 cattle have been imported from Europe through the two quarantine stations at Grosse Ile and St. Pierre.

Sugar and Tropical Products

Thailand To Withdraw From ISO

The Government of Thailand has decided to withdraw from the International Sugar Organization. Thailand had requested an export quota of 120,000 metric tons for 1971 but received one of only 36,000 tons. The withdrawal becomes official 90 days after the ISO has been notified.

Thailand's sugar production in 1971 is currently estimated at about 630,000 tons with domestic consumption at 400,000 tons. There are indications that after the U.S. quota of approximately 17,000 tons is fulfilled, the surplus will be exported to Europe and to Japan and other areas in the Far East.

Senegal To Start Sugar Plantation

A new agricultural project in the Fleuve Region of Senegal will be the establishment of a sugar plantation. Plans are to turn about 3,000 hectares of productive rice land into sugarcane production.

The project will be conducted by the Sugar Company of Senegal (CSS) based on technical assistance from the French research organization, IRAT, which has been experimenting with sugarcane production in this area for 11 years. Weather conditions are almost ideal. Water for irrigation will come from Guiers Lake with both canal and overhead irrigation systems being used. The most serious production problem to be encountered will be salt residues in the soil.

At present, there are about 250 hectares of sugarcane planted on the plantation. The area planted will be expanded by 1,000 hectares this season (November-February) and by 2,000 hectares for each of the next 3 years, bringing the total area to about 7,250 hectares in 4 years. The plantation is expected to produce from 55,000 to 65,000 metric tons of sugar annually, which will be about equal to current domestic requirements. A new sugarmill, of German manufacture, is expected to be in operation by December 1972.

Uruguay Increases Sugar Production

For the 1970-71 marketing year, Uruguay's refined sugar production is estimated at 61,000 metric tons, up 48 percent from the previous year. This was due mainly to an increase in the areas planted in sugarcane and beets.

As a result of the increased sugar production, raw sugar imports this year are expected to be about 35,000 tons compared to 59,000 tons in 1970. Domestic consumption is expected to be 93,000 tons, up 1,000 from last year.

The price paid to farmers for sugarcane during the marketing year was US$13.28 per ton, with a basic yield of 8 percent. For sugarbeets, the price was $20 per ton, with a price increase of $0.80 per ton for each one percent increase in sucrose content above the basic yield of 12 percent.

U.S. Cocoa Bean Grind Down

U.S. cocoa bean grindings for the second quarter of 1971 totaled 149.6 million pounds, down 3.2 percent from the similar 1970 period when grind totaled 154.6 million pounds.

U.S. grind for the first half of 1971 amounted to 294.2 million pounds, compared with 298.4 million pounds in the corresponding 1970 period. Annual 1970 grindings were 585.2 million pounds.

Correction: Further details concerning "World Sunflower Crop Down," *Foreign Agriculture,* August 2, 1971, page 14, will appear in a mid-August FAS circular "Sunflowerseed Output in 1970" rather than in *World Agricultural Production and Trade* as indicated in the article.

Crops and Markets Index

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New USDA Survey On Agriculture In Less Developed Countries

Agriculture in the less developed countries (LDC's) of Asia, Africa, and Latin America made gains in some areas, according to a recently published survey by the Foreign Economic Development Service of the U.S. Department of Agriculture. The survey, entitled "Indexes of Agricultural Development—Less Developed Countries, 1970," shows that total LDC farm output continued to climb and that production of these regions' three major grains—rice, wheat, and corn—was up. This rise was probably because of the increased use of high-yielding varieties of both wheat and rice.

The general trend of total agricultural output for developed countries as well as less developed countries has been sharply up for the past 10 years, according to the survey. Production for both rose at about the same rate from 1960 to 1968; however, output for the developed areas dropped behind that of the LDC's in 1969 and 1970. This may be because of efforts by the developed countries to restrain the size of some crops.

Overall production of food in the LDC's held constant, while regionally there were increases in Latin America and South Asia. Food production in Africa, West Asia, and East Asia, however, dropped slightly.

The survey indicates that LDC production of the three major grains—rice, wheat, and corn—registered a 4.2 percent gain over 1969 and was up 17.4 percent over the average 1964-68 production.

Rice is the major LDC grain, followed at some distance by wheat and corn, which have approximately equal status. In terms of total production in the LDC's in 1970, rice accounted for about 58 percent; corn, 22 percent; and wheat, 20 percent.

The area planted to high-yielding varieties of wheat and rice rose to nearly 44 million acres in 1969-70, the survey reports, against 31 million in 1968-69. Most of the wheat and all of the rice area is in South and East Asia; of the 1969-70 total for both, 59 percent was in India and 20 percent in Pakistan.

Most data appearing in the survey were generated by USDA's Economic Research Service and Foreign Agricultural Service.

Free copies of the survey, Foreign Economic Development Report 9, may be obtained from the Foreign Economic Development Service, Reports and Technical Inquiries Staff, Room 3510 South Building, U.S. Department of Agriculture, Washington, D.C. 20250.

Many Andean Region Customs Tariffs Are Down Significantly

In early June, a list of 151 products not produced in any of the Andean Regional countries was published, automatically establishing total removal of customs duties within the Andean group for these products.

Customs tariffs for 5,000 products have been significantly reduced between Colombia, Chile, and Peru under the Andean Regional Treaty. Juan Somavia, the Executive Secretary of LAFTA, says that this is the beginning of tariff reductions which will continue 10 percent a year until 0 percent is reached by 1980. The starting point for making the tariff reductions was the lowest tariff in force for each of the products on any of the three countries' tariffs lists.

Ecuador and Bolivia can also make use of these reductions, but because of their lower economic development, they are not required to make reductions at present. Under an earlier Decree of the Andean Regional Treaty, special privileges were granted to these two countries. Sixty-two products, including potatoes, mandarins, and bacon can enter other Andean Treaty countries from Bolivia, and 42 products, including pineapple juice, wooden furniture, glass, and fiber can enter without any duty from Ecuador.

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